

# Legislative Fiscal Bureau

## Fiscal Note

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SF 413 - Mental Retardation Waiver (LSB 2739 SV)

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Fiscal Note Version — New

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### **Description**

Senate File 413 adds day habilitation, prevocational, and transportation services to the Home and Community-Based Services (HCBS) waiver for persons with mental retardation (MR).

### **Assumptions**

1. The Code of Iowa requires counties to pay the State match for the MR HCBS waiver in the Medicaid Program.
2. Day habilitation, prevocational, and transportation services are currently not covered under the MR HCBS waiver and are being provided by the counties with 100.0% county funds.
3. The Bill adds these services to the MR HCBS waiver in the Medicaid Program, which will allow the State to draw down federal matching funds; thereby reducing the cost to the counties for these services.
4. The federal matching rate for FY 2004 is 63.32%.
5. The Bill would also affect the Department of Human Services (DHS) State Payments Program ("State Cases"), which is a 100.0% State funded program. The State Cases Program pays for services provided to Iowa residents who do not have a "county of legal settlement." The services covered are the same as the services provided by the counties. As a result, the State also currently pays 100.0% State funds to cover day habilitation, prevocational, and transportation services.
6. It is estimated that approximately 4,126 adults with mental retardation would be eligible for day habilitation services under the waiver and 278 individuals would be eligible under the State Cases Program.
7. Of those eligible, it is assumed that 30.0% (1,238 waiver, 83 State Cases) would access the services. The cost of day habilitation is \$55.00 per day.
8. This results in a county impact of \$6.2 million for the State match for the HCBS waiver (\$17.1 million when combined with the federal match) and a State impact of \$415,000 for the State Cases Program (\$1.1 million when combined with the federal match).
9. Approximately 4,126 adults with mental retardation would be eligible for prevocational services under the waiver and 544 children and adults would be eligible under the State Cases Program.
10. Of those eligible, it is assumed that 50.0% of adults and 7.0% of children (based on experience in the Brain Injury waiver) would access the services. This results in participation of 2,063 adults under the waiver and 139 adults and 18 children in the State Cases Program. The cost of prevocational services is \$45.00 per day.
11. This results in a county impact of \$8.4 million for the State match for the HCBS waiver (\$23.3 million when combined with the federal match) and a State impact of \$587,000 for the State Cases Program (\$1.6 million when combined with the federal match).
12. Approximately 278 adults with mental retardation would be eligible for transportation services.
13. Of those eligible, it is assumed that 68.7% (191) would access the services under the waiver. The cost of transportation services is \$20.00 per day.

14. The State is required to pay the State match for transportation services. This results in a State impact of \$347,000 for the State match. The total cost is \$959,000 when combined with federal matching funds.
15. The total county cost to pay the State match for day habilitation and prevocational services under the Medicaid MR HCBS waiver is \$14.6 million. The total cost of the services (combined with federal matching funds) is \$40.4 million.
16. The counties currently expend 100.0% county funds for these services. The amount of county expenditures and the number currently accessing the services is not known. The Department of Human Services estimates that more individuals will access services when they are offered under the waiver than in the current county programs, resulting in an increase in total expenditures for these services. However, the amount counties are currently spending is likely more than what they would spend if two-thirds federal matching funds are received. For example, if counties currently spend half of the estimated total expenditures under the waiver, their current costs would be \$20.2 million. County costs under the Bill would be \$14.6 million, for a savings of \$5.6 million. Therefore, the net impact to the counties is likely a savings, but the magnitude of the savings is unknown.
17. Since the number of individuals that are currently utilizing the services is unknown, it is difficult to estimate the number that would use services under the waiver. If participation rates were less than the assumptions above, the county costs for the State match would be less.
18. The total State cost to pay the State match for day habilitation and prevocational services in the State Cases Program is \$1.0 million. The cost of the State match for transportation services is \$347,000, for a total State match cost of \$1.3 million.
19. The Department of Human Services does not track expenditures for these services. However, the DHS reports that 53 individuals received one of these services during FY 2002. Based on the estimated cost of the services discussed above, 53 individuals would result in expenditures of roughly \$670,000. If \$670,000 is the approximate level of current expenditures, the net State impact would be a cost of \$600,000. However, the current level of expenditures is unknown, and the projected level of participation under the Bill cannot be determined.
20. As mentioned above, the DHS assumes that more people will access the services under the waiver than in the 100.0% county funded program. The State Cases participation estimates discussed above assume that the 53 individuals served currently would increase to 240 under the Bill, which is approximately 30.0% of the 822 individuals eligible. The participation rates for the county funded portions of the Program range from 30.0% to 50.0%. Based on this comparison, a net increase in costs is not unreasonable. However, participation may not increase by this magnitude (from 53 to 240 individuals). If participation increases by 50 (from 53 to 103 individuals), the net State impact would be \$0.00.

### **Fiscal Impact**

The estimated county cost to pay the State match to provide day habilitation and prevocational services under the Medicaid HCBS MR waiver is \$14.6 million. Counties currently expend 100.0% county funds for these services. The total amount currently expended by counties is unknown, but is likely greater than the one-third State match required under the waiver. As a result, SF 413 likely results in a net savings to counties on a statewide basis. The magnitude of the savings cannot be determined.

The estimated State cost to pay the State match for these services is \$1.3 million. The State currently pays 100.0% State funds for these services; however, the amount of expenditures is not known. If participation increases by more than 50 individuals, the State fiscal impact would be a net increase in expenditures.

## **Sources**

Department of Human Services  
Polk County Health Services  
Legislative Fiscal Bureau analysis

/s/ Dennis C Prouty

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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